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The financial statements for the year ended December 31, 2014 and 2013, have been approved and authorized for their issuance by Management and will be submitted to the Board of Directors and the General Shareholders' Meeting for their approval within the terms established by law. In Management's opinion, said financial statements will be approved without modification.

2. Operating regulation and legislation that affect the activities of the electricity industry

The main regulations affecting the Company's activities are the following:

(a) Electrical Concessions Law—

In Peru, the electricity sector is ruled by the Electrical Concessions Law, Decree-Law N°25844, enacted on November 19, 1992, its Regulation, Supreme Decree N° 009-93-EM, enacted on February 25, 1993, and its amendments and extensions, such as Law N° 28832, "Law to Ensure the Efficient Development of Electric Generation".

Pursuant to the Electrical Concessions Act, the electricity sector is divided into three main sub-sectors, each one comprising a different activity: electricity generation, transmission and distribution. In accordance with said act and the "Law to Ensure the Efficient Development of Electricity Generation", the operation of power generation plants and transmission systems are subject to the provisions of the Economic Operation Committee of the National Interconnected System (COES-SINAC, by its Spanish acronym), with the purpose of coordinating said operation at a minimum cost, preserving the safety of electric energy supply and the best usage of energy resources, as well as the planning of the SEIN development and the short-term market administration. COES-SINAC determines the pricing of the power and energy transfers between generators.

The main changes introduced by the Law are related to the participation in short-term market of distribution companies and large free customers, including distributors and customers, besides generation companies, as members of COES-SINAC, modifying the structure of this organization. Also, it regulates the procedure for distribution companies to convene biddings to ensure energy supply to the regulated market. This law has also amended the legal framework for the electricity transmission activities.

(b) Promotion of Investment on Electricity Generation Using Renewable Energy—

The Legislative Decree N° 1002, published on May 2, 2008 and its regulation, has the purpose of promoting the use of RER in order to enhance the quality of life of the population and to protect the environment through the investment promotion of electricity generation with the use of RER, which is declared of national interest and public necessity. RER are defined as the biomass as well as the wind, solar, geothermal, tidal and hydraulic energies (the latter solely when the generation capacity is less than 20.0 MW).

Eligible to the provisions of said Legislative Decree are the new operations of companies using RER as primary energy, with previous accreditation before the MEM.

Electricity generation via RER enjoys priority in the daily dispatch performed by COES. The production variable cost for the use of RER shall be zero.

The law and its regulation introduced an auction scheme for electricity generated with RER.

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